



fairfax

COUNTY

JULY 2008

EMPLOYEES'
RETIREMENT
SYSTEM

Retirement Handbook **for Active Employees**



Introduction

The Fairfax County Employees' Retirement System was established to help provide you with financial security at retirement.

This booklet summarizes your Retirement System ("System") as in effect on August 1, 2008. You can find more detailed information about the System in the County Code (Chapter 3, Article 2). All System benefits are subject to the provisions of the Code of Virginia and the Fairfax County Code, as well as applicable rules, regulations and resolutions of the Board of Trustees of the Retirement System. Those provisions, rules, regulations and resolutions are controlling in the event of any error in this booklet. The System's plan year ends June 30. Records are maintained on a fiscal year basis.

Fairfax County Retirement Administration Agency

10680 Main Street, Suite 280

Fairfax, VA 22030-3812

Phone: 703-279-8200

Toll-Free: 800-333-1633

FAX: 703-273-3185

Homepage: <http://www.fairfaxcounty.gov/retirement/>*

**also accessible through links on the Fairfax County Government InfoWeb Intranet site and through the Fairfax County Schools web site (<http://www.fcps.edu/external.htm>).*

You can easily calculate your own estimated retirement benefit by visiting the Member Area of the Retirement Administration Agency website.

If you should need a sign language interpreter or any type of special accommodation, auxiliary aid, or translation assistance, please call the Retirement Agency at 703-279-8200 or the Virginia Relay Service at 1-800-828-1120 (TDD) or 1-800-828-1140 (voice).

EMPLOYEES' RETIREMENT SYSTEM HIGHLIGHTS

These highlights of your Retirement System show you the various benefits the System has to offer. In the highlights, there are references to various terms with which you may not be familiar. Explanations of Plan A and Plan B start on page 2. Definitions of terms such as creditable compensation, final average salary, Social Security breakpoint, and Eligibility and Benefit Service start on page 5.

PROVISIONS	CONDITIONS	HIGHLIGHTS	SEE PAGE
Membership	You must be a full-time employee, part-time County merit employee or a part-time School employee eligible for other employee fringe benefit programs.	In most cases, your membership automatically begins on your date of hire. However, membership is optional if you are an elected official or if you fall into certain other categories.	1
Employee Contributions	Your contributions will depend on whether you are a member of Plan A or Plan B.	Plan A Contributions: 4% of compensation up to the Social Security taxable wage base* <i>plus</i> 5 1/3% of compensation in excess of the Social Security taxable wage base. Plan B Contributions: 5 1/3% of all compensation <i>*This term is defined on page 4.</i>	3
Normal Retirement	You are eligible for normal retirement if: <ul style="list-style-type: none"> • you are age 65 with 5 years of eligibility service; <i>or</i> • you are age 50 or older and your age plus eligibility service totals 80 or more. 	Plan A Benefit 1.8% of average final compensation up to the Social Security breakpoint; times creditable service; <i>plus</i> 2% of average final compensation in excess of the Social Security breakpoint, times creditable service. Plan B Benefit 2% of average final compensation times creditable service. Additional Pre-Social Security Benefit 1% of average final compensation up to the Social Security breakpoint, times creditable service. Each of the above benefits is then increased by 3%.	12 13 13
Deferred Retirement Option Program (DROP)	Only those eligible for normal retirement can enter DROP. DROP applications must be completed and received by the Retirement Agency at least 60 days prior to DROP entry date.	DROP allows you to be treated as if you retired, for the purposes of the retirement plan, while continuing to work and receive a salary for a period of three years. Monthly benefit is credited to a DROP account and earns interest at the rate of 5% for the three years.	15
Early Retirement	You are eligible for early retirement if: <ul style="list-style-type: none"> • you are at least age 50*; <i>and</i> • your age plus eligibility service totals 75 or more. 	The formula for normal retirement determines early retirement benefits. However, your benefit is reduced based on your age at early retirement. Also, you are not eligible to receive an additional Pre-Social Security Benefit.	16
Ordinary Disability Retirement	<ul style="list-style-type: none"> • You must have 5 years of eligibility service; <i>and</i> • The Medical Examination Board must certify that you are disabled. 	2% of your average final compensation times creditable service (maximum 30 years). The total benefit is increased by 3%.	19

PROVISIONS	CONDITIONS	HIGHLIGHTS	SEE PAGE
Service-Connected Disability Retirement	<ul style="list-style-type: none"> Your disability must be caused by a job-related accident or disease; <u>and</u> You must apply for Workers' Compensation and Social Security benefits. 	66 $\frac{2}{3}$ % of average final compensation minus Workers' Compensation benefits and 30% of your initial Social Security benefit.	20
Deferred Vested Benefit	<ul style="list-style-type: none"> You terminate employment for reasons other than death or retirement You have at least 5 years of creditable service; <u>and</u> You leave your contributions in the System. 	<p>You may receive benefits starting on your 65th birthday (or earlier after meeting the age and service requirements for early retirement).</p> <p>The total benefit is increased by 3%.</p>	24
Cost-of-Living Adjustments	Increases apply to normal, early, and disability retirement provisions, and to deferred vested benefits once benefits start.	Each July 1, your pension may be increased (cost-of-living increases are projected during your first year of retirement). The maximum increase is 4%. A cost-of-living increase does not apply to the additional Pre-Social Security Benefit.	25
Death Before Retirement (a) Return of Contributions (b) Spouse's Benefit	<p>To receive the spouse's benefit:</p> <ul style="list-style-type: none"> You must have at least five years of eligibility service at time of death; <u>and</u> Your spouse must be your named beneficiary. 	<p>Your contributions plus interest will be paid to your beneficiary.</p> <p>Your spouse will receive one-half of a benefit calculated under the normal retirement formulas (not including the additional Pre-Social Security Benefit). This benefit will stop if your spouse remarries before age 60.</p>	25 26
Death After Retirement (a) Return of Contributions (b) Optional Joint and Last Survivor Benefit	<p>To receive the spouse's benefit:</p> <ul style="list-style-type: none"> You must retire under the normal or early retirement provisions, or be eligible for a deferred vested benefit. You must elect the optional spouse's benefit at the time of retirement. 	<p>Your beneficiary will receive the difference (if any) between: (a) your contributions plus interest, <u>and</u> (b) retirement benefits paid to you before your death.</p> <p>You will receive a reduced benefit. After your death, your spouse will receive a percentage of your benefit.</p>	27
Service-Connected Death Benefit	Your death must be caused by a service-connected accident or illness.	Benefit is equal to \$10,000, and is payable in addition to any other System benefits.	29
Withdrawal of Contributions	<ul style="list-style-type: none"> You must terminate employment. You must request a return of your contributions in writing. 	Your contributions plus interest will be refunded. Once you have withdrawn your contributions, you are no longer eligible for any benefits under the Retirement System.	30

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Eligibility and Membership

General

In most cases, you automatically become a member of the System on your date of hire if:

- you are a full-time County merit employee or a part-time County merit employee working at least 20 hours per week,
- you are a School Board employee who is not a substitute and you are in a position where membership in the Virginia Retirement System is not mandatory,
- you are a food service employee of the School Board scheduled to work at least 15 hours per week, or
- you are a crossing guard or a clinic room aide and are eligible to participate in other County fringe benefit programs.

OR, you may be a member of the FCERS if:

- You are a Department of Public Safety Communications (DPSC) employee who elected to remain in this system rather than transfer to the Uniformed System in October of 2005.
- If you move from a FCPS full-time educational position to a part-time position or non-educational position.

Optional Membership

Membership in the System is optional if:

- you are at least 59^{1/2} when you are hired;
- you are an elected official (or a person appointed to fill a vacancy);
- you are appointed by an elected official as a deputy or assistant;
- you are a constitutional officer.

If you are eligible for membership, you will become a member unless you elect in writing not to join the System at the time you are hired.

Employees Not Eligible

You are not eligible to become a member of the System if you are hired in a position not eligible for benefits (e.g. an exempt limited term or exempt part-time employee).

If you are a member of the System and you change to a job status that is not eligible, you will no longer be an active member in the retirement plan. For example, if you are hired as a County full-time employee and later become a part-time employee who works less than 20 hours a week or are a School Board employee who switches to a position where membership in the Virginia Retirement System (VRS) is mandatory, you will no longer be an active member in the System. You will have the option to withdraw your contributions or leave them in the retirement plan. If you have more than five years of creditable service and leave your contributions in the plan, you will be eligible for a Deferred Vested Benefit (see page 24).

You are not eligible for membership if you are a contributing member (or are eligible to become a member) of one of the following retirement systems:

- Virginia Retirement System
- Fairfax County Police Officers Retirement System
- Fairfax County Uniformed Retirement System

Separate Plans: Plan A and Plan B

The Employees' Retirement System is made up of two plans: Plan A and Plan B. All eligible employees are automatically enrolled in Retirement Plan A and the following conditions apply:

- ✓ You must choose whether to stay in Retirement Plan A or switch to Retirement Plan B **WITHIN YOUR FIRST 30 DAYS OF EMPLOYMENT.**
- ✓ You may choose to switch to Plan B (a higher contribution and higher benefit plan) **WITHIN the first 30 days of your employment.** You must use the "Employees' Retirement System Data Card" to elect Plan participation.

- ✓ If you do not elect to participate in Plan B **within your first 30 days of Employment**, you will remain in Plan A for the duration of your System membership.
- ✓ You may not change your mind about Plan enrollment at a future date – Your initial choice of Plans is **IRREVOCABLE** after your first 30 days.

If you were previously a member of the Fairfax County Employees' Retirement System and left your money in the System when you terminated your employment, you must remain in the plan that you were in during your previous period of membership.

Once you choose Plan A or Plan B, you must stay in the same plan during your entire period of membership.

The basic difference between the two plans is that Plan A requires smaller member contributions than Plan B, and Plan B provides larger service retirement benefits. Otherwise, all provisions described in this booklet apply to all members, whether covered by Plan A or Plan B.

Cost

The cost of providing System benefits is paid from three sources:

- 1.) Employee contributions;
- 2.) Employer contributions;
- 3.) Earnings from investments made with the above contributions.

Employee Contributions

You contribute to the System as follows:

If you participate in:	Your Contribution is:
Plan A	4% of your creditable compensation up to the Social Security taxable wage base, plus $5\frac{1}{3}\%$ of creditable compensation in excess of the Social Security taxable wage base.
Plan B	$5\frac{1}{3}\%$ of your creditable compensation.

You will pay taxes at the time you terminate employment if you request a refund or upon retirement when you begin receiving monthly benefits.

Employer Contributions

Your employer contributes a substantial amount to the Retirement System. The Board of Supervisors determines employer contributions based on funding requirements. Employer contributions are in addition to, and generally larger than, your own contributions.

Investment Income

Employer and employee contributions are invested to provide additional income to the System. Assets are invested as directed by the Board of Trustees. The financial statements of the System are audited by an independent accounting firm and are posted on the Retirement Administration Agency's website for review at http://www.fairfaxcounty.gov/retirement/active_employees/publications.htm under the heading Comprehensive Annual Financial Report. Additionally, a list of the Retirement System's assets is published annually in the *Courier*.

Special Terms

Throughout this booklet, you will come across certain words or terms that are used often. Knowing what these terms mean will help you understand your benefits.

Creditable Compensation

Your creditable compensation includes all amounts paid to you on which the retirement contributions have been made. This compensation includes the salary paid to you for regularly scheduled hours worked, holiday hours worked, administrative emergency leave worked, and shift differential paid. It does not include special awards or payments made for unused annual leave; and effective July 1, 1993, it does not include overtime. Creditable compensation for those employed in more than one retirement-eligible position will be the total eligible compensation from all

positions. Compensation in excess of \$200,000 annually as indexed for those hired before July 1, 1996 or \$150,000 annually as indexed for those hired on or after July 1, 1996 will be disregarded, as required by federal law.

Final Average Salary (FAS)

Final Average Salary (FAS), also known as average final compensation (AFC), is the average of your creditable compensation for the 36 consecutive months of employment that produces the highest average annual compensation for you (78 consecutive pay periods for members who are paid on a bi-weekly basis).

If you are applying for a Service-Connected Disability retirement, your FAS will be calculated as if the compensation were received during any period prior to retirement when you were receiving Workers' Compensation. Your updated salary will include any pay-for-performance increments and cost-of-living and/or market adjustments that you would have received during that time.

For members who had merit increments deferred in FY92 and FY93, FAS will be reviewed at retirement, for relevance to your situation.

Unused sick leave at the time of retirement may be substituted for an equivalent period of employment as if you had continued to work at your final salary during the period of your unused sick leave. The retirement system will use the method that results in the higher retirement benefit for you. If you are paid on a bi-weekly basis, 80 hours of sick leave will count as one full pay period. If you are paid on a monthly basis, 173.3 hours of sick leave will count as one full pay period.

Periods of employment while a member is on approved Family and Medical Leave Act status (FMLA) in a Leave Without Pay (LWOP) status (as defined in Section 10.15 of the Fairfax County Human Resources Regulations) will not be considered breaks in service when computing FAS. FMLA/LWOP will be ignored when determining the average of your highest 36 months or 78 bi-weekly pay periods.

For those enrolled in the Deferred Retirement Option Program (DROP), your FAS is calculated before you enter the DROP, therefore your compensation after the DROP is excluded in the determination of your FAS.

Social Security Breakpoint

The Social Security Breakpoint is used in the Plan A benefit formula and in the computation of the Pre-Social Security Benefit for Plan A and Plan B. It is an average of annual Social Security wage bases for the last 35 years before you reach age 65. The Social Security taxable wage base is the maximum amount of your compensation subject to Social Security taxes.

The chart on the following page lists the Social Security Breakpoints, listed by year of birth. For the purposes of this chart, it is assumed that the Social Security taxable wage base will remain constant in all future years. However, as the wage base goes up, so will the Social Security Breakpoints. Future Social Security Breakpoints will be made available to you through the *Courier* and on the Retirement Administration Agency's website at <http://www.fairfaxcounty.gov/retirement/>.

Social Security Breakpoints			
For Employees Who Retire or Terminate Employment			
On or after July 1, 2008			
Year of Birth	Social Security Breakpoint	Year of Birth	Social Security Breakpoint
1936	\$37,212	1956	\$85,332
1937	39,444	1957	86,880
1938	43,992	1958	88,320
1939	46,344	1959	89,712
1940	48,816	1960	91,044
1941	51,348	1961	92,304
1942	53,952	1962	93,492
1943	56,484	1963	94,656
1944	58,992	1964	95,784
1945	61,476	1965	96,828
1946	63,912	1966	97,788
1947	66,324	1967	98,628
1948	68,580	1968	99,360
1949	70,764	1969	99,984
1950	72,828	1970	100,464
1951	74,820	1971	100,896
1952	76,704	1972	101,304
1953	78,540	1973	101,640
1954	80,328	1974	101,868
1955	83,700	1975 or later	102,000

Eligibility Service*

Eligibility Service is used to determine whether you are eligible to receive benefits from the System. Eligibility Service is sometimes referred to as Employment Service.

If you are a non-School Board employee, your eligibility service is measured from your date of hire until you terminate employment. If you are a School Board employee, crossing guard, or clinic room aide, you receive a year of creditable service for each full school year (September – June) that you work. No extra credit is granted for summer school employment.

Generally, you will not receive eligibility service for any period during which you are not an active, contributing employee. For example, if you are on leave without pay (LWOP) except LWOP while on approved Family and Medical Leave (as defined in Section 10.15 of the Fairfax County Human Resources Regulations), you will not receive eligibility service. See the “additional service” description on page 9 for exceptions to this rule.

Members employed in more than one retirement-eligible position will earn eligibility service as though all scheduled hours were combined into a single position. No more than one year’s eligibility service may be granted for each year worked.

Benefit Service*

Benefit Service is the time period used to determine the amount of retirement benefits you will receive. Generally, you are credited with one year of benefit service for each year of full-time employment plus any additional service you may be eligible for. Employees working less than 2,080 hours in any calendar year will have their benefit service calculated based on actual hours worked. Credit is granted for eligible summer school employment. Members employed in more than one retirement-eligible position will earn benefit service as though all scheduled hours were combined into a single position. No additional credit is granted if combined hours exceed those of a full-time position.

Any period of employment while you are not a member of the System does not normally count as benefit service. See “additional service” description on page 9 for exceptions to this rule.

Part-Time Service

If you are a part-time employee, your benefit service is calculated on an annual equivalent basis. The basis for one year of benefit service is 2,080 hours per year. Salary is annualized for part-time members, using the hourly rate of pay, multiplied by the full-time number of hours paid to a bi-weekly or monthly paid employee. Depending on your pay schedule, that will be 80 hours bi-weekly or 173.3 hours monthly. These annualized amounts are used to calculate a benefit in proportion to the full-time equivalent benefit you would have earned had you worked in a full-time position.

EXAMPLE: Annualization of Part-Time Service

Assume you normally worked 4 hours per day (20 hours a week) from September 2 through the following June 30 each year for 25 years. Your benefit service would be calculated by calculating the percentage of a full 8-hour day worked times 303 (the number of days between September 2 and June 30) times 25. The total would then be divided by 365:

$$[(4 \div 8) \times 7,575] \div 365 = 10.38$$

Your benefits would be calculated as though you had 10.38 years of full-time service.

** "Eligibility Service" and "Benefit Service" have been used to clarify the term "Creditable Service" found in the County Retirement Ordinance.*

Additional Service

In addition to getting credit for eligibility service and benefit service while a member of the System, you may receive service credit in the following instances:

Accrued Sick Leave

If you terminate employment after you complete five years of eligibility service, your unused sick leave will count as service credit. Each 172 hours of accrued unused sick leave counts as one month of service credit. Service credit is pro-rated for any hours of accrued unused sick leave that results in less than one full month of service credit.

Payment of Contributions

Generally, if you pay contributions, plus interest, for any of the following periods, service is given for the applicable period (unless such purchase fails to meet the requirements of the Internal Revenue Code):

- Prior period of plan membership if you withdraw your contributions when you terminated employment;
- Prior period of plan membership in another Fairfax County retirement system;
- Period from date of hire to date of plan membership if you elected not to become a member of the System when you first became eligible and were working at least 20 hours per week;
- Period of time you were employed by Fairfax County Public Schools and were a member of the Virginia Retirement System (VRS) and the Educational Employees' Retirement System of Fairfax County (ER-FC) provided that this service is not considered in the calculation of any benefit or allowance from VRS or ER-FC.

Prior Service in the FCERS

If you are rehired by Fairfax County, you may elect to "buy-back" all previous eligible service credit. Upon return to employment with Fairfax County and participation in the Employees' Retirement System, you will have one of two options:

- If you left your contributions and interest in the FCERS, you, as a newly reinstated member, may return to the System and pick up with contributions in the same Plan where you left off.
- If you took a refund or rollover of your account balance, you may request a calculation from Membership Services to determine if you want to "buy-back" your prior eligible service.

All requests for a buy-back calculation must be made in writing, addressed to the Retirement Agency, stating your intention to buy back previous service credit.

If the buy-back or purchase of service is started within the first twelve (12) months of re-employment, the interest rate charged will be the current actuarial assumption rate (7.5% currently). If the

buy-back or purchase of prior service is started after the first twelve (12) months of re-employment, the interest rate charged will be fifteen percent (15%). All buy-backs and/or purchases must be completed within three (3) years once initiated. Buy-backs may be made through payroll deduction, a lump sum payment or a combination of these two options.

You may transfer funds directly from VRS/ER-FC, the Fairfax County Uniformed or Police Officers Retirement Systems to purchase service for eligible prior service in those Systems. In addition, if you had your contributions and interest transferred directly into an Individual Retirement Account (IRA) for a period of prior service with the Employees' Retirement System, you may transfer all or part of your balance in that IRA back into the System. Other transfers from 457 or 403(b) plans may also be allowed.

Military Service

If you terminate employment to enter into the armed forces and come back to work in a position covered by this System, your period of military duty counts as service to the extent required by Federal and State law.

Service-Connected Disability

A period of service-connected disability counts as service if you return to work covered by the System after a determination by the Medical Examining Board that you are no longer permanently disabled.

Normal Retirement

Eligibility

You are eligible for normal retirement if you are a member of the System and

- You are age 65* with at least five years of eligibility service, **OR**
- You are age 50* or older and your age plus years of eligibility service total 80 or more.

*Your retirement will become effective on your 50th or 65th birthday.

Benefit

The amount of your normal retirement benefit will depend on whether you participate in Plan A or Plan B. You will also be eligible to receive an additional Pre-Social Security Benefit if you retire before the age at which you will be eligible to receive unreduced Social Security benefits.

Plan A Benefit

If you participate in Plan A, your normal retirement benefit will be determined as follows:

1.8%	x	Final Average Salary up to Social Security Breakpoint	x	Years of Benefit Service	x	1.03
PLUS						
2%	x	Final Average Salary in Excess of Social Security Breakpoint	x	Years of Benefit Service	x	1.03

EXAMPLE: Plan A Normal Retirement Benefit

Assume you retire in 2008 at age 61 with 30 years of benefit service and a final average salary of \$70,000. You were born in 1947 so your Social Security breakpoint is \$66,324 (see page 7). Your benefit will be determined as follows:

<i>Final Average Salary up to Social Security Breakpoint</i>						
1.8%	x	\$66,324	x	<i>Years of Benefit Service</i>	<i>Increased by 3%</i>	
				30	x	1.03 = \$36,889.41
PLUS						
<i>Final Average Salary in Excess of Social Security Breakpoint</i>						
		<i>(\$70,000 - \$66,324)</i>				
2.0%	x	\$3,676	x	<i>Years of Benefit Service</i>	<i>Increased by 3%</i>	
				30	x	1.03 = \$ 2,271.77
						\$39,161.18

You would receive **\$39,161.18 a year**, or **\$3,263.43 a month** starting at age 61 and payable for life.

Plan B Benefit

If you participate in Plan B, your normal retirement benefit will be determined as follows:

2%	x	Final Average Salary	x	Years of Benefit Service	x	1.03
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EXAMPLE: *Plan B Benefit*

Assume the same facts as the Plan A example except that you participate in Plan B. Your benefit would be:

		<i>Final Average</i>		<i>Years of</i>		<i>Increased</i>	
		<i>Salary</i>		<i>Benefit Service</i>		<i>by 3%</i>	
2%	x	\$70,000	x	30	x	1.03	= \$43,260

You would receive **\$43,260 a year** or **\$3,605 a month** starting at age 61 and payable for life.

Additional Pre-Social Security Benefit

If you retire on a normal service retirement before you are eligible for unreduced Social Security benefits, you will receive an additional benefit. You may continue to receive this supplement until the first month after you are eligible to receive an unreduced Social Security benefit. This benefit is the same for Plan A or Plan B and is calculated as follows:

1%	x	Final Average Salary up to the Social Security Breakpoint	x	Years of Benefit Service	x	1.03
This additional Pre-Social Security Benefit is added to the Normal Retirement Benefit for the plan in which you participate.						

Once you become eligible for unreduced Social Security benefits, your Pre-Social Security Benefit will cease. Eligibility for the Pre-Social Security Benefit is based on the age at which you are eligible to receive **unreduced** Social Security benefits. See the Social Security table on the next page to determine your age requirement for unreduced Social Security benefits.

Social Security Eligibility

Year of Birth	Year You Will Turn 62	Your Age for Full Benefits
1937 or earlier	1999 or earlier	65 years
1938	2000	65 years, 2 months
1939	2001	65 years, 4 months
1940	2002	65 years, 6 months
1941	2003	65 years, 8 months
1942	2004	65 years, 10 months
1943 - 1954	2005 - 2016	66 years
1955	2017	66 years, 2 months
1956	2018	66 years, 4 months
1957	2019	66 years, 6 months
1958	2020	66 years, 8 months
1959	2021	66 years, 10 months
1960 or later	2022 or later	67 years

EXAMPLE: *Pre-Social Security Benefit*

Assume you participate in Plan B and retire in 2008 at the age 61, with 30 years of benefit service and a final average salary of \$70,000. In this example, you were born in 1947, so your Social Security breakpoint is \$66,324 (see page 7). Your benefits would be determined as follows:

$$\begin{array}{rclclclcl}
 \text{Final Average} & & \text{Years} & & \text{Increased} \\
 \text{Salary up to the} & & \text{of Benefit} & & \text{by} \\
 \text{Social Security Breakpoint} & & \text{Service} & & \text{3\%} \\
 1\% & \times & \$66,324 & \times & 30 & \times & 1.03 = \$20,494.12
 \end{array}$$

Your total benefit, payable to the age at which you would be eligible for unreduced Social Security benefits, would be:

$$\$43,260.00 \quad + \quad \$20,494.12 \quad = \quad \mathbf{\$63,754.12}$$

In this example, you would receive \$63,754.12 a year or \$5,312.84 a month until age 66. After reaching age 66, the additional Pre-Social Security Benefit would stop and you would receive \$43,260 a year or \$3,605.00 a month for life. (Adjusted by cost-of-living adjustments.) You could also choose to receive early Social Security benefits at age 62 and the Pre-Social Security Benefit will not stop until you are eligible to receive unreduced Social Security benefits.

Minimum Benefit

In no event will your annual normal retirement benefit be less than \$300.

Deferred Retirement Option Program (DROP)

Entering the DROP allows you to be treated as if you retired, for purposes of the retirement plan, while continuing to work and receive a salary for a period of three years. Only members eligible for Normal Retirement may elect to enter the DROP. A DROP member continues to work while an amount equal to what the member could have received as a retirement benefit is credited to a DROP account balance. An eligible member, who elects to participate in the DROP, agrees to do so for a period of three years. The monthly benefit that will be credited to the DROP account is determined by years of service and FAS at the DROP entry date. During the DROP period, the retirement plan accumulates the accrued monthly benefit, which is payable to the member at the end of the DROP period. The member's account balance is credited at an annual rate of 5% interest, compounded monthly. At the end of the DROP period, the member MUST terminate employment with the County and will begin to receive the retirement benefit directly instead of having it credited to the DROP account balance. The retiree can receive the balance of the DROP account either in the form of a lump sum distribution, a rollover to another qualified plan (or IRA) or the retiree may add to their monthly retirement annuity an increase of the actuarial equivalent of the lump sum balance in the DROP, thereby receiving a higher lifetime monthly benefit.

You are eligible to enter the DROP when you become eligible for Normal Retirement:

- When you are age 65 with at least five years of eligibility service, **OR**
- When you are age 50 or older and your age plus years of eligibility service total 80 or more.

At the end of three years, DROP participants should complete the DROP Exit Notification form and choose how the DROP balance is to be distributed, no less than 60 days prior to DROP exit date, to ensure there is no disruption to their benefit payments. If a DROP Exit form is not received, the DROP account balance will be paid to the member as a lump sum, with applicable taxes withheld.

Sick Leave and DROP

Employees entering the DROP have the option of converting their entire sick leave balance to retirement credit or they may retain 40 hours (or the equivalent for those on a 56 hour schedule) of their total balance to have available after entering the DROP. However, any sick leave balance carried forward will not be converted to service to determine retirement eligibility.

Continued Eligibility for the DROP

Members who continue to work and who do not elect to enter the DROP when first eligible for normal retirement, may elect to enter the DROP at the beginning of any pay period following their eligibility. Applications for DROP entry must be received 60 days prior to the date a member wishes to enter the DROP.

DROP Sunset Provision

The current expiration date for DROP eligibility and participation is December 31, 2013, unless the Board of Supervisors specifically acts to extend this program. Anyone choosing to enter the DROP must make application no later than 60 days prior to the last payroll start date in December of 2013.

Early Retirement

Eligibility

You are eligible to retire early once you reach age 50* and your age plus years of eligibility service total 75 or more (for example, if you are age 50 with 25 years of eligibility service).

*Your retirement would become effective on your 50th birthday.

Benefit

The formula for normal retirement determines early retirement benefits. However, an additional Pre-Social Security Benefit is not payable. In addition, benefits are reduced based on your age at retirement by multiplying your normal retirement benefits by the percentages in the table on the following page:

Early Retirement Reduction Table

Exact Age* at Retirement	Early Retirement Percentages
50	33.3%
51	36.7%
52	40.0%
53	43.3%
54	46.7%
55	50.0%
56	53.3%
57	56.7%
58	60.0%
59	63.3%
60	66.7%
61	73.3%
62	80.0%
63	86.7%
64	93.3%

**The table above is just a partial list of early retirement percentages. These percentages vary based on your age in completed years and months. For example, if you were 59 years and four months old when you retired, your early retirement percentage would be between those shown for 59 and 60. You may check with the Retirement Agency for more details.*

EXAMPLE: Early Retirement

Assume you have participated in Plan B. Also assume you retire in 2008 at age 56 with 20 years of benefit service and final average salary of \$54,000. Your benefit would be determined as follows:

$$2\% \times \$54,000 \times 20 \times 1.03 = \$22,248$$

Full Benefit		Age 56 Early Retirement Percentage		
\$22,248	x	53.3%	=	\$11,858.18

Your early retirement benefit would be \$11,858.18 a year or \$988.18 a month starting at age 56 and payable for life.

Minimum Benefit

In no event will your annual early retirement benefit be less than \$300.

Applying for Service Retirement

You must apply for retirement before your retirement can become effective. This is in addition to any notice you may give to your supervisor. Your retirement application must indicate the date on which you plan to retire.

When you apply, you will need to provide proof of birth. Proof of birth is also required for your spouse if you choose to take a reduced pension that provides optional spouse's benefits.

You may get an estimate of retirement benefits from the Retirement Agency before you apply. Application forms are also available from the Retirement Agency. Please feel free to contact the Retirement Agency with any questions you may have about how to apply for benefits. Please visit the RAA website at http://www.fairfaxcounty.gov/retirement/active_employees/planning.htm for information about the "retirement process".

Applying for DROP

Only those eligible for Normal Retirement may enter the DROP. DROP applications are available from the Retirement Agency and must be completed and received at the Retirement Agency at least 60 days prior to the DROP entry date requested. If you would like to calculate your own estimated DROP benefit, you can do this at http://www.fairfaxcounty.gov/retirement/active_employees/estimate-own.htm or by visiting the "Member Area" of the Retirement Agency website and creating a User Name and Password. If you prefer to have an estimate calculated for you, you can request a DROP estimate in writing or schedule an appointment with a counselor at the Retirement Agency. Estimate Request Forms and other information is available on the Retirement Agency website at http://www.fairfaxcounty.gov/retirement/active_employees/forms.htm.

Once your DROP application has been received at the Retirement Agency, a Retirement Counselor will verify your DROP eligibility. When you apply, you will need to provide proof of birth. Proof of birth is also required for your spouse if you choose to take a reduced pension that provides optional spouse's benefits.

Once your eligibility date has been verified, you should notify your supervisor of your intent to enter DROP.

Contact the Retirement Agency with any questions or to schedule an appointment.

Disability Retirement

Ordinary Disability Retirement

Eligibility

You are eligible for ordinary disability retirement if:

- your disability is not caused by a job-related accident or disease;
- you become disabled while a member of the System;
- you become disabled with at least five years of eligibility service;
- the Medical Examining Board certifies that you are disabled; and
- the Fairfax County Employees' Retirement System Board of Trustees approves your retirement.

Normally, you must apply for disability retirement before your employment with the County terminates. Applications for disability retirement submitted more than one year after termination will not be approved unless applicant shows good cause why the application could not have been submitted during that first year.

Benefit

Your ordinary disability retirement benefit is equal to:

		Final Average		Years of			
		Salary		Benefit Service			
2%	x		x	(Maximum 30 years)	x	1.03	

In no event will your annual ordinary disability retirement benefit be less than \$300.

No reduction is made to a disability benefit because of your age at retirement. Your benefit is payable for as long as you remain disabled. However, if you remain disabled until reaching age 65, your benefit will continue for life, even if you later recover from your disability.

EXAMPLE: *Ordinary Disability Retirement*

Assume you become disabled and meet the eligibility requirements for ordinary disability retirement. Also, assume your average final compensation is \$45,000 and you have 25 years of benefit service.

$$2\% \times \$45,000 \times 25 \times 1.03\% = \$23,175$$

You would receive \$23,175 a year or \$1,931.25 per month for as long as you are disabled.

Medical Examinations

If you retire on ordinary or service-connected disability, you are required to undergo routine medical re-evaluations by the Board of Trustees. Re-evaluations are required annually for the first five (5) years after retirement and every three (3) years thereafter until you reach age 65.

If You Return To Work

Ordinary disability benefits will end if you return to work for Fairfax County in a position covered by this retirement System before your normal retirement date. (If you retire on disability and recover prior to age 65, your disability benefits are discontinued and you will be considered as a new applicant should you wish to return to work for Fairfax County.)

Service-Connected Disability Retirement

Eligibility

You are eligible for a service-connected disability retirement if:

- you become disabled while a member of the System;
- your disability is caused by a job-related accident or disease, as determined by the Board of Trustees; and;
- you apply for Workers' Compensation benefits and Social Security benefits.

Normally, you must apply for service-connected disability retirement before your employment with the County terminates. However, an application for service-connected disability retirement made within one year after termination of employment may be accepted in certain instances if your disability started before termination and the Board of Trustees approves it. Applications for disability retirement submitted more than one year after termination will not be approved unless applicant shows good cause why the application could not have been submitted during that first year.

Benefit

Your monthly service-connected disability retirement benefit is determined as follows:

$$\begin{array}{c} 66\frac{2}{3}\% \times \text{Final Average Salary} \div 12 \\ \text{MINUS} \\ \text{Your average monthly Workers' Compensation} \\ \text{benefits and 30\% of your monthly} \\ \text{Social Security benefit} \end{array}$$

If you receive a lump sum Workers' Compensation benefit, your monthly System benefits will be delayed. In this case, the Retirement Agency will inform you when your benefits will start.

Workers' Compensation benefits for permanent total or permanent partial disability or compensation for periods before the effective date of retirement is not offset.

If you refuse to accept medical services, vocational rehabilitation, or other employment under the Workers' Compensation Act, your Workers' Compensation benefits may be suspended. If they are suspended, the Board of Trustees has the option to calculate your service-connected disability benefit as if you were still receiving Workers' Compensation.

Social Security benefits based on age are offset when you first become eligible for a benefit. Disability benefits are offset when you begin to receive them. If you are not eligible for disability benefits, your old-age benefits are offset when you reach age 62. If you do not choose to receive the old-age benefits at age 62, the offset will be computed on the amount you would have been eligible

to receive had you applied for the benefit when first eligible. Portions of your Social Security benefit that are payable due to a spouse's employment are not offset. However, if you elect a widow's benefit in lieu of your own benefit, the amount that you would have been eligible to receive based on your own employment would be offset. The service-connected disability retirement benefit will be offset by 30% of any Social Security Benefit you become eligible for.

EXAMPLE: *Service-Connected Disability Retirement*

Assume you become disabled and meet the eligibility requirements for a service-connected disability retirement. Also, assume your average final compensation at retirement is \$39,000 and that you are awarded an average monthly benefit of \$1,700 under the Virginia Workers' Compensation Act and \$600 a month in Social Security benefits.

Your monthly retirement benefit would be calculated as follows:

\$39,000	x	66 ² / ₃ %	=	\$26,001
\$26,001	÷	12 (monthly retirement allowance)	=	\$2,167

MINUS

Workers' Compensation Benefits	=	\$1,700
30% of Social Security Benefits (\$600 x30%)	=	<u>\$180</u>
Total Service-Connected Disability Retirement	=	\$287

Once Workers' Compensation benefits stop after the maximum of 500 weeks, the retirement allowance will be offset only by 30% of Social Security benefits.

Medical Examinations

The medical examinations described on page 20 apply to service-connected disabilities when you are not receiving Workers' Compensation benefits. Disability benefits cease if it is determined that you are no longer disabled.

If You Return To Work

Service-connected disability benefits will end if you return to work for Fairfax County in a position covered by this retirement system before your normal retirement date.

If you return to other employment before your normal retirement date and you begin to earn more than the difference between your disability benefits and the current salary of the position from which you retired, your disability benefits will be reduced.

The Retirement Board has the right to reduce any service-connected disability benefits even further to recoup any payment made to you in excess of the limit described above.

If the Medical Examining Board certifies to the Retirement Board of Trustees that you are able to engage in work paying more than the difference between your retirement allowance and the current salary of your former position, your benefits may be stopped if you refuse employment, unless the Board rules that your refusal is justified.

EXAMPLE: *Limits on Service-Connected Disability Benefits If You Return To Work*

Let's say that the current monthly salary of your former position is \$2,100 and you are receiving service-connected disability benefits of \$1,000 a month. You may earn up to \$1,100 a month with no change in your benefits ($\$2,100 - \$1,000 = \$1,100$).

If you were to begin to earn \$1,500 a month, however, your disability benefits would be reduced to \$600. This would keep your total income at the level of the current salary of your former position ($\$1,500 + \$600 = \$2,100$).

Disability During DROP

Should you become disabled during the DROP period other than as the result of a service-connected disability, the monthly benefit which would otherwise be payable to the DROP account will be paid to you and you will also be eligible to receive the balance of the DROP as of the effective date of disability.

Should you become disabled during the DROP period as the result of a service-connected disability, you have a choice of either taking the DROP account balance plus the normal service retirement benefits or forfeiting the DROP account balance and taking a service-connected disability benefit as though DROP participation had not occurred.

Tax Returns

Retirees receiving service-connected disability benefits must submit copies of their federal income tax return and W-2 forms (wage statements) to the Fairfax County Retirement Agency by May 30 of each year.

If you do not submit copies of your tax returns and W-2 forms, your disability benefits will be suspended. Full benefits will be restored when you submit the tax returns and forms as long as your outside earnings do not exceed the allowable amount.

If you do not submit your tax returns and W-2 forms within one year after they are due, you will lose all rights to further service-connected disability benefits.

Deferred Vested Benefit

Eligibility

You are eligible for a deferred vested benefit if:

- You terminate employment before you retire;
- You have at least five years of eligibility service; *and*
- You leave your contributions in the System.

You may start to receive a deferred vested benefit at age 65 (or earlier after meeting the age and service requirements for early retirement). In lieu of a deferred vested benefit, you have the option to request a refund of your contributions at any time prior to reaching age 65 or receiving retirement benefits.

Benefit

The formula for normal retirement determines your deferred vested benefit (see pages 11- 13). However, if you start to receive benefits before age 65, your benefit will be reduced in the same way that early retirement benefits are reduced. In addition, an additional Pre-Social Security Benefit is NOT payable.

Cost-of-Living Adjustments

Each July 1 your pension may be increased to reflect increases in the cost-of-living. Cost-of-living increases apply to normal, early and disability retirements, and to deferred vested benefits once benefits start. However, they do not apply to the additional Pre-Social Security Benefit that is payable for normal retirement. For Service-Connected Disability retirees, cost-of-living increases are calculated on the net amount of the benefit after all offsets for Social Security and/or Worker's Compensation have been applied. When Workers' Compensation benefits cease, the benefit is recalculated back to the date of retirement applying all applicable cost-of-living increases to the base benefit without including an offset for Workers' Compensation.

The cost-of-living increase is equal to the percentage increase in the Consumer Price Index for the Washington DC-MD-VA area for all Urban Consumers (CPI-U) for the 12-month period ending March 31 before the increase goes into effect, up to a maximum of 4%. In accordance with the Fairfax County Code, the Board of Trustees may grant an additional COLA up to 1% if the retirement System meets the available actuarial surplus guidelines.

The cost-of-living increase will be pro-rated if you have received retirement benefits for less than a year, as follows:

<i>Number of complete months you have received benefits</i>	<i>Percentage of full increase</i>
Less than 3	0%
3, 4, or 5	25%
6, 7, or 8	50%
9, 10, or 11	75%

Death Benefits

Death Before Retirement

Return of Contributions

In the event of your death before retirement, your contributions plus interest will be paid to your beneficiary unless a spouse's benefit is payable.

Spouse's Benefit

A spouse's benefit is payable if:

- Your death occurs after you have completed five years of eligibility service and you have named your spouse as your sole beneficiary and the beneficiary designation has been properly filed with the Retirement Agency, or your death occurs after you have completed fifteen years of eligibility service and your spouse is the only beneficiary eligible to receive a refund of your contributions;
- Your spouse elects in writing to receive the spouse's benefit within 180 days after your death; *and*
- A copy of the Death Certificate has been properly filed with the Retirement Agency.

Once the spouse's benefit starts, it is normally payable for life. However, the spouse's benefit will stop if your spouse remarries before reaching age 60 and your spouse will receive any remaining contributions plus interest in a lump sum payment, if any.

The spouse's benefit is equal to 50% of a benefit calculated under the normal retirement formula, not including the additional Pre-Social Security Benefit. If your spouse does not elect to receive the spouse's benefit within 180 days after your death, your spouse will receive your contributions plus interest.

EXAMPLE: *Spouse's Benefit*

Assume you participated in Plan B and your death occurs when you have 20 years of benefit service and your average final compensation is \$40,000.

$$2\% \times \$40,000 \times 20 \times 1.03 = \$16,480$$

The benefit calculated under the normal retirement formula for Plan B is \$16,480 a year or \$1,373.33 per month. Your spouse, if eligible, would be entitled to receive 50% of that amount or \$686.67 per month. This benefit would be paid for life unless your spouse remarries before age 60.

If your death is due to a service-connected accident while actively employed, your spouse or designated beneficiary will receive the service-connected accidental death benefit of \$10,000 (see page 29) in addition to the pre-retirement death benefits described on the previous page.

Death During DROP

In the event of your death during the DROP period, the benefits for your spouse will depend on whether your death was in the line of duty and what Joint & Last Survivor option you elected when you entered the DROP.

If your death is not service-connected, your spouse will be eligible for the same benefits that would have been payable had you retired, plus the accumulated DROP balance.

If your death occurs in the line of duty, your spouse will have the option of receiving benefits as though you had never entered the DROP, or receiving the DROP balance plus benefits based on the Joint & Last Survivor option you selected when entering the DROP.

Your choice regarding a Joint and Last Survivor option or single life annuity is made at the time of DROP entry.

Death After Retirement

Return of Contributions

In the event of your death after retirement, your contributions plus interest, less any System benefits you received before death, will be paid to your beneficiary unless an optional spouse's benefit is applicable.

Joint and Last Survivor Option

You may elect a joint and last survivor option if you retire under normal, early or deferred vested retirement provisions.

If you make this election, you will receive a reduced retirement benefit. However, after your death, your surviving spouse will continue to receive a percentage (50% $66\frac{2}{3}\%$, 75%, or 100%) of your reduced benefit for life. This does not include the Pre-Social Security Benefit.

The amount of reduction to your benefit depends on the difference between your age and your spouse's age, and on the percentage of your benefit that your spouse will receive. The Retirement Agency can give you additional information about how the joint and last survivor option affects the amount of your benefit.

The joint and last survivor option may not be changed once you have retired except in the event of the death of your spouse or divorce.

Death – If your spouse should die before you, your benefit will be increased to an amount equal to the monthly benefit you would have received if you had not elected the joint and last survivor option.

Divorce – If you and your spouse divorce following your retirement, you may elect to discontinue the joint and last survivor option provided that your divorced spouse's rights under the joint and last survivor options have been extinguished pursuant to the final decree of divorce or the final property order entered in connection with your divorce case. Your benefit will be increased to an amount equal to a monthly benefit you would have received if you had not elected the joint and last survivor option. Once it has stopped, you may not elect the joint and last survivor option again, even if you remarry.

EXAMPLE: Joint and Last Survivor Option

Assume you retire at age 60 with a normal monthly retirement benefit of \$800 a month and elect the joint and last survivor option.

The following table shows the benefits that would be paid to you and your surviving spouse after your death if you elected any of the following joint and last survivor options:

Spouse Age 60 (same age)		
<i>Percentage of Your Benefit to Continue To Your Spouse</i>	<i>Your Reduced Benefit</i>	<i>Joint and Last Survivor Benefit</i>
100%	\$680	\$680
75%	\$712	\$534
66 ² / ₃ %	\$720	\$480
50%	\$736	\$368
Spouse Age 55 (five years younger)		
100%	\$652	\$652
75%	\$688	\$516
66 ² / ₃ %	\$700	\$466
50%	\$720	\$360

Spouse Age 65 (five years older)		
<i>Percentage of Your Benefit to Continue To Your Spouse</i>	<i>Your Reduced Benefit</i>	<i>Joint and Last Survivor Benefit</i>
100%	\$708	\$708
75%	\$736	\$552
66 ² / ₃ %	\$740	\$493
50%	\$752	\$376

Service-Connected Accidental Death Benefit

The System provides for a service-connected accidental death benefit of \$10,000. It is payable if your death occurs before you retire and if Virginia Workers' Compensation benefits are payable because of your death. The benefit is also payable if you die after retirement as long as your death is directly related to your service-connected disability.

The service-connected accidental death benefit is ***in addition*** to any other benefits payable by the System because of your death.

Naming a Beneficiary

When you join the System, you will be asked to name one or more beneficiaries to receive benefits in the event of your death. You may name anyone you wish. If you name more than one person, each person will share equally in the total amount payable unless you designate percentages or fixed amounts for each beneficiary.

If you want your spouse to have the option to choose the spouse's benefit if you should die while on the active payroll, your spouse must be listed as your sole *primary* beneficiary. You may make provisions on your beneficiary card for a contingent beneficiary in the event your primary beneficiary pre-deceases you.

You may change your beneficiary designation at any time by giving written notice to the Retirement Agency. Forms for naming or changing beneficiaries are available from the Retirement Agency. If you do not name a beneficiary, payment will be made to your estate.

Withdrawal of Contributions

The County Code does not permit loans from your retirement account, partial withdrawals of employee contributions, or withdrawals of employer contributions. Withdrawal of contributions may only be made upon termination of employment. Any member who elects to withdraw his or her contributions is no longer eligible for any benefits from the Retirement System.

If You Are Not Eligible For Benefits

If you are not eligible for a retirement benefit or a deferred vested benefit when you terminate employment, you may withdraw your contributions plus interest. Refunds are required if you have less than five years of service. However, you may elect in writing to leave your contributions in the System for up to five additional years after you terminate employment. Payment will be made within 90 days of your last check date or after the requested five-year extension. Refunds shall be mailed to the last address on record with the Retirement Agency. Refunds not claimed within six months will become the property of the System. If you accept a refund of your member contributions plus interest, you forfeit all prior service credit in the Employees' Retirement System for that previous period of employment.

If You Are Eligible For Benefits

If you are eligible for a retirement benefit or a deferred vested benefit, you may withdraw your contributions plus interest instead of receiving any other System benefit for which you are eligible. You must make your request in writing. Once benefits have started, however, you may not withdraw your contributions.

Taxation of Withdrawals

Any part of your account that consists of pre-tax contributions – as well as all interest earnings – will be taxed as ordinary income the year you receive it, and may be subject to an additional 10% penalty imposed by the IRS. Taxes will be based on the federal and state tax laws in effect at the time of distribution. Currently, refunds not transferred directly to an Individual Retirement Account (IRA) or another qualified retirement plan will have 20% withheld for federal taxes unless certain conditions are met. Another 4% will be withheld for Virginia state taxes. See page 35 – “How Are Benefits I Receive from the System Taxed?” – for more information.

Assignment of Benefits

Your benefits under the plan cannot be assigned and are not subject to garnishment or attachment, except to the extent permitted by law for child and/or spousal support, for the division of marital property (Qualified Domestic Relations Orders – QDRO), or for the payment of tax levies.

Fraud

It is a misdemeanor to attempt to defraud the System by making false statements or by falsifying (or allowing others to falsify) records of the System. Anyone found guilty of trying to defraud the System will forfeit all rights to the benefit or allowance obtained by the misrepresentation and is subject to dismissal from Fairfax County employment.

Social Security Benefits

You may receive benefits from Social Security in addition to any benefits payable to you from the System.

Your actual Social Security benefits are based on the amount of your earnings that are subject to Social Security taxes. To receive a free statement of your earnings covered by Social Security and your estimated future benefits, you need to complete a *“Request for Earnings and Benefit Estimate Statement”*, available from the following address:

Social Security Administration

Wilkes-Barre Data Operations Center
Box 20
Wilkes-Barre, PA 18703

Alternatively, Call 1-800-772-1213

Alternatively, via the internet: www.socialsecurity.gov

In addition, you may request a booklet that explains how to figure your Social Security benefits.

Social Security benefits do not start automatically; you must apply for them. It usually takes two to three months to process your application.

Social Security Retirement Benefits

You may be entitled to receive unreduced Social Security monthly income benefits when you reach the Social Security normal retirement age (between ages 65 and 67 depending on your year of birth). See table on page 14. When your spouse reaches the Social Security normal retirement age, he or she is entitled to a total benefit equal to one-half of your unreduced benefit, or, if greater, a benefit based on his or her own work record. Social Security benefits are payable as early as age 62, but in a permanently reduced amount.

Social Security Disability Benefits

If you become totally disabled, you and your family may be entitled to Social Security disability benefits. They may become payable after you have been totally disabled for five full calendar months. You may apply for Medicare after two years of disability retirement. Approval, however, is not automatic.

Your family may be entitled to an additional benefit from Social Security if you have a dependent child under age 18 (under age 19 if a full-time student). Your spouse may be entitled to additional benefits before reaching age 60 if caring for a child under age 16 who is eligible for children's Social Security benefits. If you have no dependent children, your spouse may be entitled to this benefit if he or she is at least 62.

Social Security Death Benefits

Your family may be entitled to Social Security benefits after your death. Your surviving spouse may be entitled to benefits from Social Security if he or she is at least age 60. Your surviving spouse may be entitled to additional benefits before reaching age 60 if caring for a child under age 16 who is eligible for children's Social Security benefits. Additional children's Social Security benefits may be payable if you die with dependent children under age 18 (under age 19 if they are full-time students).

Medicare

You may also be entitled to Medicare benefits when you reach age 65. Medicare pays a significant portion of physician and hospital fees.

Additional Retirement System Information

Home Address

It is important that you keep the Retirement Agency informed of any change in your address so that you will receive your benefits check and any information about the System that is sent to you. In addition, if your current home address is not on file after you terminate employment, it is possible that a refund of your contributions sent to your old address will be returned and the Retirement Agency will not be able to locate you.

Retirement System Administration

A Board of ten trustees administers the Fairfax County Employees' Retirement System as follows:

- Citizens appointed by the County Board of Supervisors
 - Robert C. Carlson, Chairman
 - Frank M. Alston
 - Thomas M. Stanners
 - Gordon R. Trapnell
- Fairfax County Human Resources Acting Director
 - Susan Woodruff
- Fairfax County Public Schools
 - Kevin L. North, Vice Chairman
- Fairfax County Acting Director of Finance
 - Victor L. Garcia, Treasurer
- Fairfax County employee elected representative
 - Randy Creller
- Fairfax County Public Schools employee elected representative
 - Walter Leppin
- Retiree elected representative
 - John M. Yeatman
- **System Administration--Staff**
 - Robert L. Mears, Executive Director
 - John P. (Jack) Sahm, Deputy Director
 - Andrew J. Spellar, Senior Investment Manager

Members of the Board of Trustees may be contacted in writing through the Retirement Agency. Since members of the Board change from time to time, their names will be published in the *Courier* and on the Retirement Agency website as changes occur.

Duties of the Board include administering the System of retirement, disability and death benefits for the active and retired members of the System, as well as directing the investment of System funds. The Board meets monthly, normally on the third Thursday of each month. Board meetings are open to all employees and members of the public.

The Board employs consultants and appoints an Executive Director who serves at the discretion of the Board and is responsible for the retirement System's administrative staff. The Executive Director, Robert L. Mears, is also the System's agent for service of legal process. The County Attorney serves as the legal advisor for the Board.

Important Addresses

1. Retirement Administration Agency

10680 Main Street
Suite 280

Fairfax, VA 22030-3812

Phone: 703-279-8200

Toll Free: 800-333-1633

TTY: 711 (Virginia Relay)

FAX: 703-273-3185

E-mail: retirementquestions@fairfaxcounty.gov

Internet Homepage: <http://www.fairfaxcounty.gov/retirement>

2. Schools Office of Benefit Services

8115 Gatehouse Road

Falls Church, VA 22042

Phone: 571-423-3200

Toll Free: 800-831-4331

FAX: 571-423-5000

Frequently Asked Questions About The System

? Should I Join Plan A or Plan B?

You should carefully consider your own personal situation before deciding which plan to join. Plan B requires you to make larger contributions than Plan A; however, Plan B provides for larger retirement benefits. Certain facts to consider before making your decision are your age, combined family income, career plans, and retirement income goals.

? Can I Retire After My Normal Retirement Date?

Yes. There is no mandatory retirement age.

? How Is Interest On My Contributions Credited?

Interest on the contributions you make each year is credited at an annual rate of 5% starting with the year after the contributions are made.

? How Are Benefits I Receive From The System Taxed?

The contributions you made prior to January 1, 1985 have already been taxed. You will owe no taxes on these contributions when they are returned to you, whether in monthly benefit payments or in a lump sum when you leave employment.

The portion of your benefit that represents employee pre-tax contributions, employer contributions, and investment earnings (anything in excess of contributions made prior to 1/1/85 except post-tax contributions, which paid for prior service purchases) is subject to federal tax when it is paid to you.

In addition, your tax liability depends on whether you receive your benefits in monthly payments or a lump sum withdrawal of contributions.

Monthly Payments – Each monthly payment is made up of pre-tax employee contributions and employer contributions. If you contributed before January 1, 1985, each monthly payment will also contain a portion of your after-tax contributions. This means most of your benefit will be subject to federal, and possibly state, tax starting with your first benefit check.

Withdrawal of Contributions – If you withdraw your contributions before age 59½ and request payment directly to you, the payment will be subject to regular income tax *plus* an additional 10% penalty imposed by the IRS. This additional penalty will not apply if the money is distributed due to retirement, termination, disability or death. It also does not apply to any contributions you made before January 1, 1985.

You may postpone paying taxes on a withdrawal of contributions by directly transferring/rolling over the taxable portion of the payment into an Individual Retirement Account (IRA) or another tax-qualified plan. You can postpone paying taxes on refunds that were not directly transferred but were paid to you if you roll over the entire amount you receive (plus an additional amount to equal the mandatory 20% which was withheld for federal taxes) into an IRA or into another tax-qualified plan within 60 days of receiving payment. If refunds are transferred or rolled over, you will be required to pay taxes only when you receive the money from your IRA or other tax-qualified plan.

Because tax laws are complicated and change frequently, you may want to talk to a professional tax advisor before receiving a payment from the System.

State Taxes – Retirement benefits are subject to Virginia State income tax for residents of the state. If you live outside of Virginia, contact the state and local tax agencies where you live to determine if your retirement benefits are taxable.

? When Should I Begin Planning For Retirement?

You should begin planning for retirement early in your career, considering the sources of your retirement income – Social Security, employer pension and your own resources.

? Is Benefits Counseling Available?

Yes, we feel that an educated member will be able to make decisions confidently.

As your retirement date nears, you will be faced with decisions you may find difficult to make. Even though the various retirement options are described in this handbook, a counseling session with one of the Retirement Agency staff offers a chance to discuss your options and provide you with a benefit estimate that may help you

select the retirement option that is best for you. Counseling sessions are currently offered for members who are **within one year of retirement eligibility**. With regards to estimate requests, the current procedure requires members to make written requests for benefit estimates. You may request an Estimate Request Form be mailed to your home or you can print a form by visiting the Retirement Agency's website. Please limit estimate requests to no more than one per year.

In addition to one-on-one counseling, the Retirement Agency offers several different workshops for members of the System to help employees understand their County retirement benefits. The workshops are open to all general County employees and are offered several times a year. For more information, please visit the Retirement Agency's website for workshop descriptions and a current schedule.

? **Once I Retire, How Long Before I Receive My First Check?**

Your first benefit check will be mailed usually within two months of your final paycheck. Benefit pay advices for those with direct deposit are mailed two days before the last business day of the month.

? **Can I Have My Benefit Amount/Check Deposited Directly With A Financial Institution?**

Yes. Direct deposit is required for new retirees. You should arrange to have your benefit check deposited directly to a financial institution of your choice. All you have to do is complete and return a "Direct Deposit Authorization" form to the Retirement Agency.

? **Will There Be Any Deductions from My Retirement Pay?**

Yes. You may request deductions for life, dental and health insurance from your benefit check, as well as contributions (if any) to your credit union. In addition, federal and Virginia State income tax can be withheld from your check.

? **Can I Work For Fairfax County Government After Retiring?**

Yes, but your retirement benefits may be affected. There is a "Guide to Returning to Fairfax County Employment" available at <http://infoweb.fairfaxcounty.gov/hr/Employ/pdf/reemploy.pdf>.

If you were hired after March 1, 1990, to a position under your former appointing authority and former retirement system, your benefits will cease and you must again become a contributing member of the System. Then, when you re-apply for retirement, your new benefit will be the larger of either your previous benefit including applicable cost-of-living increases or a new benefit calculation which includes the creditable service and compensation received from the new position.

If you retired on or before July 21, 1986, you may:

- continue to receive your benefit, in which case you cannot become a member of the System; or
- stop receiving your benefit and become a contributing member of the System.

If you stop receiving your benefit, your retirement benefit will be recalculated when you re-apply for retirement. Cost-of-living adjustments made during the time you had stopped receiving benefits as well as the compensation and additional service credit earned will be taken into account in the recalculation.

If you retired after July 21, 1986 and you return to a position covered by any of the Fairfax County Retirement Systems, you will not be able to join any of these Systems (unless, as noted above, you were hired after March 1, 1990 to a position under your former appointing authority). Your combined salary and retirement benefits may not total more than 115% of the then current maximum monthly salary for a Deputy County Executive in the County's Compensation Plan. If necessary, your retirement benefits will be reduced to keep your combined salary and benefits at this level.

? Does It Make Any Difference When I Retire During the Year?

You might want to consider several things in deciding when you want to retire during the year.

Cost-of-Living: If your retirement were effective on or before July 1 of a particular year, you would be entitled to a full cost-of-living adjustment to your retirement benefit on July 1 of the following year.

Regular Salary Increases: If you are on the active payroll on July 1, however, your regular salary will reflect any increases, if

any, made effective on that date. This increase will be taken into account for purposes of pay for annual leave, holiday pay and comp time. In addition, compensation credited to you for purposes of accrued sick leave would be at the new regular salary rate. So, if you retire July 2 or later, your new regular salary rate would be reflected in determining your average pay for pension purposes, although you would not receive the full cost-of-living adjustment to your pension the following July 1.

Timing of Receiving Certain Payments: If you are thinking about retiring toward the end of the year, you should keep in mind that you will receive pay for annual leave, holiday pay and comp time on the payday following your last payday as an active employee. Depending on your situation, you may want to delay your retirement so this payoff is made in the following tax year as opposed to getting it in the same tax year as the effective date of your retirement. Call the Payroll Division in the Department of Human Resources for additional information.

Changes to Social Security Breakpoints: Each July 1, the Social Security Breakpoints are changed. The new breakpoint information, published annually in the *Courier* and on the Internet at the Retirement Agency's website, may affect your benefit.

? Can I Continue My Health Insurance Coverage After I Retire?

Yes; however, keep in mind there is no guarantee that Fairfax County will continue offering health care benefits in retirement.

Please note the following: The information contained in this handbook is to provide an overview of the benefit plans and programs offered by Fairfax County Government (FCG) and Fairfax County Public Schools (FCPS) as they exist at the time of publication. This information is not intended to be a comprehensive reference and should be reviewed in conjunction with other written materials such as the Fairfax County Government Benefits Handbook and the Fairfax County Public Schools Benefits Handbook for the current calendar year. FCG and FCPS reserve the right to modify and/or discontinue any of the plans offered in the aforementioned handbooks. In addition, enrollment rules and rules regarding eligibility for coverage could change in the future.

If you retire from a general County position and were *not* employed by the school system, you can continue the coverage you had before you retired but you will be responsible for paying the entire premium – including the part the County had been paying. Regular service retirees receive a monthly subsidy toward their County health insurance when they turn 55. The monthly

amount of this subsidy is based upon years of service at retirement. Please visit the Retirement Agency internet site for current subsidy amounts. Those retiring on service-connected or non service-connected disability will receive the subsidy when they retire regardless of their age.

You may reduce the level of your coverage (i.e. from family to individual coverage) or switch to coverage with Medicare at any time during the year. You may increase the level of your coverage outside of open enrollment only if there has been a change in your family circumstances. You may change to a different health plan only during the annual open enrollment for retirees unless you move outside of the coverage area of your HMO. In that case, you may switch to the Out-of-Area coverage within 60 days of your move. Information about the health plans that are available will be sent to you at that time. If you ever drop your County health insurance, you will never be able to enroll again unless:

- Your spouse is an active employee and you enroll through his/her eligibility for coverage; or
- You are reemployed by the County and can enroll again as an active employee. This coverage may then be maintained when you retire again.

If you retire from a position with the school system, rules regarding health insurance are slightly different. If you are not covered by one of the health plans they offer, you may sign up for one during any open enrollment or when you lose the health insurance you presently have. Because of health plan restrictions for Medicare Risk Plans, some plans may not be available therefore; it is best to obtain current information from the Schools' Office of Benefit Services prior to canceling coverage that you have.

Retirees from the school system generally must pay the full premium for their insurance. However, if you retired with a service-connected disability, you pay the same premium as an active employee having the same coverage. Regular service retirees age 55 and over and those retired on a disability receive a monthly subsidy, based upon years of service at retirement, toward the cost of their school system health insurance.

You may change the level of your coverage (add or drop dependents, switch to coverage with Medicare, etc.) due to a change in family circumstances at any time during the year. However, you may sign up for or change to a different health plan only during the annual open enrollment period held for retirees.

Information about the health plans that are available will be sent to you at that time. For more information, contact the Schools Office of Benefit Services.

? How Do I Apply For Retirement Benefits?

You must apply for retirement benefits; they are not automatic. You should submit your application form within 60 days prior to your planned retirement date. You may obtain an application package by calling or writing the Retirement Agency or by visiting our website.

? How Do I Apply For Disability Benefits?

You must complete three forms to apply for disability benefits: your application, your attending physician's statement, and your statement of disability. These forms, like your retirement application, are available from the Retirement Agency. School employees should request the application package from the Schools Office of Benefit Services.

All forms must be completed and returned to the Retirement Agency before processing of your benefits can begin.

Once the forms are received, the Retirement Agency will obtain your medical records from the County's agent for Workers' Compensation if your disability is service-connected. These documents will be sent to the Medical Examining Board, which may schedule an appointment with you.

After the review, the Medical Examining Board will submit its report to the Board of Trustees who will review your application at their next meeting. If the Board approves your application, your checks will be distributed in the manner described under "How Do I Apply for Retirement Benefits?"

If the Board does not approve your request, you have the right to appeal its decision.

? How Do I Appeal a Decision of the Board of Trustees?

To appeal a decision of the Board of Trustees, simply notify the Retirement Agency in writing of your desire to appeal. They will schedule a time for you to meet with the Board. Requests for appeals made more than 30 days after the Trustees' decision must show good cause why it was not filed within 30 days.



FAIRFAX COUNTY EMPLOYEES' RETIREMENT SYSTEM

10680 Main Street

Suite 280

Fairfax, Virginia 22030

PHONE 703.279.8200 ■ 800.333.1633 ■ FAX 703.273.3185

